

## Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-10 ISO-00 TRSE-00 PM-04 NSC-05 SP-02  
SS-15 PRS-01 CIAE-00 INR-07 NSAE-00 OMB-01 AID-05  
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FM SECSTATE WASHDC  
TO AMEMBASSY KINGSTON

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E.O. 11652: N/A

TAGS: EFIN, JM

SUBJECT: REPORT ON DEPUTY PRIME MINISTER COORE'S MEETING  
WITH UNDERSECRETARY COOPER

1. THE FOLLOWING REPORT ON JUNE 27 MEETING BETWEEN  
JAMAICAN ECONOMIC TEAM (FLETCHER, COORE AND BROWN) AND  
UNDERSECRETARY COOPER IS PROVIDED FOR YOUR RECORDS. THE  
JUNE 27 MEETING CONSISTED LARGELY IN AN EXPOSITION OF  
THE GOJ DELEGATION'S ALREADY KNOWN VIEWS REGARDING JAMAICA'S  
SITUATION AND THE THEN UPCOMING NEGOTIATIONS WITH THE  
IMF. UNDERSECRETARY COOPER NOTED USG INTEREST IN EVENTS  
IN JAMAICA, BUT STRESSED THE LIMITED SCOPE OF OUR ABILITY  
TO PROVIDE IMMEDIATE ASSISTANCE.

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2. SPEAKING FOR THE DELEGATION, COORE NOTED THAT JAMAICA  
WOULD BE DEPENDENT ON SIGNIFICANT LEVELS OF EXTERNAL  
ASSISTANCE FOR AT LEAST THE NEXT SEVERAL YEARS. HE POINTED  
OUT THAT WHILE DISCUSSIONS FOR ASSISTANCE WERE CONTINUING  
WITH TRINIDAD-TOBAGO AND VENEZUELA, AND THAT SOME  
ASSISTANCE MAY BE FORTHCOMING FROM CANADA, THE USG WOULD  
QUOTE:OBVIOUSLY END QUOTE BE THE MAJOR SOURCE OF

ASSISTANCE.

3. COORE STATED THAT GOJ-IMF NEGOTIATIONS REVOLVED AROUND THREE BASIC ISSUES: AN INCOMES POLICY, THE EXCHANGE RATE, AND FISCAL POLICY. HE NOTES THAT THE INCOMES POLICY WAS THE EASIEST MATTER, AND THAT THE IMF SEEMED SATISFIED WITH THE GOJ'S PLAN OF REPLACING THE CURRENT WAGE FREEZE ON JULY 1 WITH A LONGER TERM PROGRAM GEARED TO INSURING REAL WAGES CAUGHT UP TO THE LEVEL OF JUNE 1973. HE STATED SUCH CATCH-UP PAYMENTS WOULD HAVE A DOLLAR 10/WEEK MAXIMUM, AND THAT THE OVERALL PROGRAM WOULD HAVE ONLY A MODEST IMPACT BECAUSE OF LARGE WAGE INCREASES ALREADY AWARDED IN THE POST OIL PRICE PERIOD. ON THE EXCHANGE RATE ISSUE, COORE POINTED OUT THAT THE IMF WANTED MOVEMENT NOW. IN THE VIEW OF THE GOJ, HOWEVER, ANOTHER CHANGE NOW -- SOON AFTER THAT EFFECTED IN APRIL -- WOULD CREATE CONSIDERABLE UNCERTAINTY. HE ALSO THOUGHT ANY SIGNIFICANT MOVEMENT TOWARDS A FULLER ADOPTION OF NEW EXCHANGE RATE AT THIS TIME WOULD JEOPARDIZE THE GOJ'S INCOME POLICY, AND HIGHLIGHTED THE IMPORTANT TRADE-OFF WITH THE UNIONS THAT IS INHERENT IN THE SUBSIDIES CONTAINED IN THE PARALLEL RATE. HE THEREFORE HOPED THAT THE ISSUE COULD BE LEFT OPEN FOR A THOROUGH REVIEW IN OCTOBER.

4. ON THE FISCAL SIDE, COORE NOTED THAT THE BUDGET LIMITED OFFICIAL USE

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EXPENDITURES NORMALLY INCREASED AT A RATE OF 15 PERCENT ANNUALLY. THE PLANNED GOJ EXPENDITURE LEVEL OF \$1.2 BILLION REPRESENTED A 15 PERCENT DECLINE IN REAL TERMS OVER 1977. TO CUT FURTHER, AS WAS RECOMMENDED BY THE IMF, WOULD LEAD TO FURTHER DEFLATION AND A RISE IN THE ALREADY SERIOUS LEVEL OF UNEMPLOYMENT. (HE NOTED THE UNEMPLOYMENT RATE IN OCTOBER 1976 WAS 24 PERCENT) COORE ACKNOWLEDGED THE INFLATIONARY EFFECT OF DEFICIT FINANCING BUT THOUGHT THE GOJ ECONOMY COULD TOLERATE A RATE OF UP TO 30 PERCENT.

5. COORE STATED THAT THE GOJ WAS GIVING TOP PRIORITY TO THE SERVICING OF GOVERNMENT AND GOVERNMENT GUARANTEED DEBT. HE NOTED THAT THE GOJ WAS NOW PAYING ONLY INTEREST (AND NOT PRINCIPAL) ON DEBT OWED TO PRIVATE CREDITORS. HE EXPECTED THAT JAMAICA WOULD RECEIVE \$65 MILLION IN COMMERCIAL BANK FUNDS OVER THE NEXT YEAR; \$35 MILLION WOULD REPRESENT A NET INCREASE IN LOANS WHILE \$30 MILLION WOULD ACCRUE FROM A STRETCH-OUT OF LOAN PAYMENTS.

6. IN HIS REMARKS, UNDERSECRETARY COOPER NOTED THE INTEREST OF THE PRESIDENT AND SECRETARY VANCE IN JAMAICA.

HE ALSO NOTED THAT WHILE THE USG WISHED TO DO WHAT IT  
COULD TO HELP JAMAICA, THE SCOPE FOR IMMEDIATE USG ACTION

(PARTICULARLY IN FORMS MOST USEFUL TO THE GOJ) WERE  
"EXTREMELY LIMITED". HE POINTED OUT THE PIVOTAL ROLE OF  
CONGRESS, AND WHILE NOTING THERE WAS POTENTIAL ASSISTANCE  
AVAILABLE VIA PL-480, AID, AND HIG, DIRECT BALANCE OF  
PAYMENTS SUPPORT HAS NEVER BEEN POPULAR WITH THE CON-  
GRESS AND THUS COULD NOT BE CONTEMPLATED BY THE USG.  
COOPER ALSO STATED OUR POSITION THAT THE ROLE OF THE IMF  
WAS CRUCIAL IN GETTING JAMAICA OUT OF ITS CURRENT DIF-  
FICULTIES. VANCE

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## Message Attributes

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**Channel Indicators:** n/a  
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**Concepts:** ECONOMIC CONDITIONS, ECONOMIC ASSISTANCE, DIPLOMATIC DISCUSSIONS, LOANS, FINANCIAL PROGRAMS  
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**Disposition Date:** 22 May 2009  
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